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FM AMEMBASSY MANAMA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4330
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RHMFISI/HQ USCENTCOM MACDILL AFB FL PRIORITY
RHBVAKS/COMUSNAVCENT PRIORITY

S E C R E T SECTION 01 OF 03 MANAMA 000530

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FOR T, NEA/ARP

E.O. 12958: DECL: 03/28/2016

TAGS: PREL PARM PTER BA BILAT CTR OFFICIALS

SUBJECT: SCENESETTER FOR UNDER SECRETARY JOSEPH'S APRIL 8 VISIT TO BAHRAIN

REF: A. STATE 47881
1B. STATE 45386
1C. MANAMA 0442
1D. MANAMA 0387

Classified by Ambassador William T. Monroe for reasons 1.4 (b) and (d).

11. (C) We warmly welcome Under Secretary Joseph's April 8 visit to Bahrain. The visit comes during a period of high-level bilateral engagement, which the Bahrainis seek and appreciate. In the past six weeks, Commerce Secretary Gutierrez and State Department Counselor Zelikow came to Bahrain (Ref C). Secretary Rice met with all GCC foreign ministers, including Bahraini Foreign Minister Shaikh Khalid bin Ahmed Al Khalifa, in Abu Dhabi. Crown Prince Shaikh Salman bin Hamad Al Khalifa, accompanied by Shaikh Khalid, met with the Vice President, Secretary Rice, Secretary Rumsfeld, Secretary Gutierrez, National Security Advisor Hadley, Deputy Secretary of State Zoellick, Deputy Secretary of Defense England, and others during his March 19-22 visit to Washington (Refs A, B, D). We have requested a meeting for you with Shaikh Khalid.

Iran

12. (S) The issue most on the minds of Bahraini officials is Iran. Dovetailing with Counselor Zelikow's presentation, the Crown Prince told the Secretary that the Iranian government thinks its influence in the region is growing. Iran believes it is riding on a popular wave of support throughout the region and is trying to capitalize on the rise of Islamist parties, growing Islamic conservatism, and the Israeli-Palestinian conflict. Bahrain feels particularly vulnerable because 70 percent of the population is Shia while the ruling family and most of the government leadership is Sunni. Shaikh Khalid and Deputy Prime Minister Shaikh Mohammed bin Mubarak Al Khalifa agreed to the Counselor's proposal of a U.S.-GCC strategic dialogue on regional security, with a focus on Iran. In Washington, the Crown Prince requested consideration of a formal U.S. or NATO security umbrella for Bahrain. Bahrain is a member of the NATO Istanbul Cooperative Initiative and seeks to strengthen its ties to NATO.

PSI

13. (C) In May 2005, we delivered a demarche on the Proliferation Security Initiative (PSI) and the Statement of Interdiction Principles to the MFA. The official said he

would review the materials but the MFA never responded formally. He mentioned that knowing that other regional countries had joined the PSI could facilitate a Bahraini decision to do so. Shaikh Khalid probably knows very little about the PSI, but he likely will be open to give serious consideration to a U.S. request for Bahrain's participation.

Financing

¶4. (C) Bahrain has a well-developed financial industry and promotes itself as an international financial center in the Gulf region. Over 50 off-shore banks have licenses to operate in the country. Bahrain has an anti-money laundering law but has not yet passed a law to combat terrorist financing. The regulatory authority, the Bahrain Monetary Agency (BMA), has a strong reputation among Gulf/Arab countries and Bahrain sees further development of the financial sector as key to its economic future. The BMA has frozen assets and closed bank accounts in response to U.S. requests. However, lack of capacity in the Office of the Public Prosecutor and the judiciary has hindered the successful prosecution of anti-money laundering cases. Officials from the public prosecutor's office and Ministry of Justice have taken specialized training courses to build their capacity in financial law. The headquarters of the Middle East and North Africa Financial Action Task Force (MENA-FATF) is in Bahrain.

U.S. Navy

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¶5. (U) The U.S. Navy has worked closely with Bahrain for more than fifty years. Bahrain is the only country in the region that hosts a permanent component command headquarters, specifically, headquarters facilities for the Commander of Naval Forces, U.S. Central Command (COMUSNAVCENT). COMUSNAVCENT directs naval operations in the Arabian Gulf, Arabian Sea, and Gulf of Aden in support of Operations Enduring Freedom and Iraqi Freedom, CJTF Horn of Africa, as well as Maritime Interception Operations to enable freedom of navigation and to prevent oil smuggling, piracy and various other operations in support of the Global War on Terrorism. Bahrain's relatively stable and secure political environment allows deployed U.S. Navy ships to stop, replenish supplies, and provide crews much needed onshore rest and recreation opportunities. In 2004, 421 U.S. Navy ships called at Manama while 377 ships called in 2005. Additionally, U.S. military and military-contracted air traffic at Bahrain's International Airport and other local facilities encompassed 3521 landings in 2004 and 3415 landings in 2005.

¶6. (U) When the Navy withdrew its dependents from Bahrain in the summer of 2004, the fate of the DOD-run Bahrain School was in question. The Crown Prince, who is a Bahrain School graduate and has two children in the school, visited Washington that summer and urged that it remain open. The Defense Department made the commitment to keep the school open, and the school continues to operate at about half of its previous size. Defense Department leadership has made a policy decision to keep the school open, alleviating local fears that the school might close. The school provides an American education to a diverse student body of Americans, Bahrainis, Saudis and many other Arab, Asian, and European nationalities.

Military Assistance

¶7. (U) The Bahrain Defense Force (BDF) maintains an infrastructure capable of handling U.S. deployments in

support of our regional policies and forms the first line of defense for the headquarters of the U.S. Navy's Fifth Fleet. To continue to be an effective coalition partner, the BDF, which deployed its navy in support of Operations Enduring and Iraqi Freedom, must be fully compatible with the U.S.

military. Maintaining this capability has become increasingly expensive, stressing a BDF budget that is already insufficient to purchase the advanced U.S. hardware needed to achieve interoperability. U.S. provided Foreign Military Financing (FMF) has been declining over the past few years, making it increasingly difficult for the BDF to meet its needs. With the advent of a democratically elected lower house of parliament that requires the BDF to operate within a budget, funding for purchases under the Foreign Military Sales (FMS) program have also become scarcer. FMF and International Military Education and Training (IMET) will continue to be important for both regional stability and force protection goals. FMF and IMET funding for 2006 are \$15.593 million and \$644,000 respectively. Estimates for 2007 are \$15.750 million for FMF and \$640,000 for IMET.

Stinger Missiles

¶ 8. (C) Bahrain procured 70 Man Portable Stinger Missiles in 1988 through the FMS program. Section 705 of the 2000 Security Assistance Act places a one-for-one replacement limit on Bahrain's Stinger Missile inventory. Bahrain has not fired 57 of the original 70 missiles and has yet to demilitarize them although the U.S. Army has determined that they are beyond their 17-year shelf life. Bahrain has 70 new replacement Stinger Missiles currently being stored in the U.S. DOD agencies agree that the new missiles should not be shipped until Bahrain demils the remaining 57 missiles.

¶ 9. (C) Bahrain's response has been two-fold: request procurement of one Avenger system (HMMWV based Stinger Missile launch platform) in order to launch the 57 old missiles, and seek relief from the 70 missile ceiling cap. Bahrain signed a Letter of Offer and Acceptance to procure one Avenger system, funded through FMF, which should arrive by June 2006. Bahrain will not commit to a speedy firing schedule of the 57 missiles once the system is delivered. The GOB has sought CENTCOM assistance in explaining their need to lift the cap to Congress. CENTCOM's reply placed the onus on Bahrain to show the need for an increased missile inventory. CENTCOM is staffing a proposal to offer a joint

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survey team to analyze Bahrain's short range air defense needs.

CWC Host Country Agreement

¶ 10. (C) In late February, the MFA informed the Embassy via diplomatic note that it would sign a Chemical Weapons Convention Host Country Agreement (HCA) on challenge inspections with us. We understand that Bahrain will become the first GCC country to sign an HCA with us. The GOB views the HCA as a win-win, saying it protects both countries in the event of a challenge inspection. They are concerned that Iran may invoke a challenge inspection of U.S. facilities in Bahrain in an attempt to cause friction between Bahrain and the United States. The MFA proposed some minor edits and changes to the text that Washington agencies are now considering. Depending on Bahrain's preferences for finalizing the agreement, it could be completed within weeks.

Counter-Terrorism

¶ 11. (S) Cooperation on counter-terrorism has improved

markedly since Bahrain fumbled the detention of several Bahrain terror suspects in June 2004, precipitating the departure of Navy dependents. However, there remain concerns. The terror suspects are under surveillance pending resolution of the court case, but the constitutional court, which is currently reviewing the case, may determine that they were charged under a law that is unconstitutional. A counter-terrorism law that addresses conspiracy, among other issues, is stuck in the parliament and faces broad opposition. Sunni extremists, though few in number, remain a concern. We are providing assistance to the Ministry of Interior to stand up a Joint Counter-Terrorism Center, but progress has been uneven.

Guantanamo

¶12. (C) There were six Bahraini detainees at Guantanamo until three were returned last fall. Bahraini press coverage of the remaining three has been steady and intense, focusing on allegations of mistreatment and hunger strikes. Foreign Minister Shaikh Khalid has come under parliamentary pressure to be a more aggressive advocate for their return, and he has told the press and parliament that he raises the issue with senior USG officials at every opportunity.

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